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THE OUTLOOK FOR GUATEMALA

Submitted by the

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Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 29 April 1958. Concurring were The Director of Intelligence and Research, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Assistant Chief of Staff, Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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THE OUTLOOK FOR GUATEMALA¹

THE PROBLEM

To estimate the outlook in Guatemala over the next few years, with special reference to political trends and to Communist prospects.

CONCLUSIONS

1. President Miguel Ydígoras Fuentes, inaugurated on 2 March 1958, is authoritarian in background and outlook, but will probably endeavor to maintain a middle-of-the-road course. He now lacks assured support in Congress. We are unable to estimate whether he can develop effective congressional and popular support for his moderate program before the 1959 congressional elections. (*Paras. 12, 14, 19, 30*)

2. The moderate National Democratic Movement (MDN) will probably dissolve as an effective political force. The leftist Revolutionary Party (PR) is likely to become the principal party in opposition to the Ydígoras regime. (*Paras. 15, 16, 30*)

3. Under the leadership of men who were prominent in the Arévalo administration, the PR exerts a strong attraction as the clearest spokesman for the political, social, and economic objectives of the

Guatemalan Revolution of 1944. It repudiates association with communism, but has taken no steps to check Communist penetration of its lower echelons. (*Paras. 16, 31*)

4. The clandestine Communist Party (PGT), recently more active, is not formidable in numbers. It is endeavoring to exert influence through penetration of the PR and the labor unions. Although the Communists will probably meet with some success in these efforts, they are not likely to gain control of these groups within the next few years. (*Paras. 17, 31*)

5. Should Ydígoras fail to muster sufficient party and popular support to cope with growing leftist opposition in Congress and in the country, he will probably resort increasingly to more authoritarian methods. He would probably do so reluctantly and with no greater repressive force than he judged the circumstances to require, but he is a strong man determined to rule and he would resort to outright dictatorship before he would permit political control to pass from his hands. The more repressive his regime becomes,

¹ This estimate supersedes NIE 82-55, "Probable Developments in Guatemala," 26 July 1955, and so much of NIE 80-57, "Political Stability in Central America . . .," 23 April 1957, as pertains to Guatemala.

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however, the more popular disaffection will grow. (*Para. 32*)

6. Ydígoras' tenure of power will ultimately depend on the continued support of the armed forces, which he will make every effort to ensure. The armed forces would act to displace him only if popular opposition had reached such a pitch that serious civil disorder was clearly impending. (*Paras. 20, 22, 33*)

7. The economic situation will probably remain favorable during 1958. In the event of a further decline in coffee prices, or of a substantial decline in foreign aid after 1958, maintenance of the present high rate of public investment would con-

front the government with a growing budgetary deficit and an acute foreign exchange problem. (*Paras. 25, 26*)

8. Good relations with the United States will continue to be the cardinal element in Ydígoras foreign policy, if only because of the importance of continued US assistance to the success of his administration. While adopting a more independent attitude toward the US than did Castillo, Ydígoras will probably cooperate on most international issues. However, his agitation of the Guatemalan claim to British Honduras could be carried to a point which would be contrary to US policy interests in the area. (*Paras. 23, 27, 29*)

DISCUSSION

Recent Background²

9. The government of President Castillo Armas (1954-1957) arrested the trend toward Communist control of Guatemala and drove the remnant of the Guatemalan Communist Party (PGT) into exile or underground. In general, Castillo pursued a middle-of-the-road policy, subscribing to the doctrines of the Revolution of 1944, but substantially moderating the application of the labor and agrarian reforms of Arévalo and Arbenz. Relying primarily on the support of the armed forces, Castillo firmly controlled the political life of the country. Through control of the electoral process, he created a dominant pro-government party, the National Democratic Movement (MDN).

10. The assassination of Castillo, in July 1957, ended this period of relative stability and moderation. In compliance with the constitution, the first presidential designate took over on an interim basis and scheduled a

presidential election for October. Two parties emerged to contest this election with the MDN. One of these was *Redención*, the re-activated personal political vehicle of General Miguel Ydígoras Fuentes. The general, having run for the presidency against Arbenz in 1950, had considered himself the proper alternative to Arbenz and had resented Castillo as an interloper. Another was the newly formed Revolutionary Party (PR), composed of labor, agrarian, and intellectual elements which had regarded the Castillo regime as reactionary.³ The MDN interim government excluded the PR from presenting a candidate, on the ground that it was communistic, whereupon the PR threw its support to Ydígoras. When the government declared the MDN candidate to have been elected, Ydígoras charged fraud and, with PR and Communist assistance, brought out the mob. A military junta thereupon ousted the first presidential designate and installed the sec-

² For a brief summation of the general background and of significant political developments, 1944-1954, see the Appendix (p. 8).

³ The PR is not identical with either the PRG or the PAR, former leftist parties which flourished under the Arbenz regime, although it includes former members of these parties.

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ond presidential designate after which the Congress annulled the election of the MDN candidate.

11. A second election, in which the PR was allowed to participate, was held in January 1958. Ydígoras received 39 percent of the vote, the MDN candidate, José Luis Cruz Salazar, 28 percent, and the PR candidate, Mario Méndez Montenegro, 27 percent. No candidate having received a majority, it devolved upon the MDN-controlled Congress to choose between Ydígoras and Cruz. Again Ydígoras threatened mob violence if he were denied the presidency. Thereupon, in effect, Cruz withdrew from the contest in return for Ydígoras' promise to take the MDN into his government.

The Political Situation and Trend

12. The 62-year-old president comes of an upper-class family and is basically authoritarian in point of view. He is a professional soldier and graduate civil engineer whose governmental experience was gained as a departmental governor and as highway director under the Ubico dictatorship (1931-1944). He has been out of the country most of the time since the Revolution of 1944, in honorific exile as Minister in London (1945-1950) under President Arévalo and as Ambassador in Bogotá (1954-1957) under President Castillo, and in ordinary exile plotting against the Arbenz regime (1950-1954).

13. Ydígoras' political appeal is essentially personal. He is strongly supported by various organizations representative of property interests (large landholders, manufacturers, and businessmen) who count on him to rule firmly, to maintain sound financial policies, and to suppress Communists and labor agitators. However, his party, *Redención*, has no effective political organization outside of Guatemala City. Ydígoras' popular support is attributable to a widespread desire for a strong ruler who would maintain stability and order and to his success in persuading ordinary voters that he would adhere to the basic tenets of the 1944 Revolution.

14. Ydígoras is handicapped by lack of assured party support in the new Congress, where *Redención* holds only 16 out of 66 seats,

as compared with 17 held by the MDN, six held by the PR, and 27 held by independents and minor parties. Effective collaboration with the MDN in accordance with his pre-election agreement might have relieved him of this difficulty, but, once in office, he proved unwilling to concede to any party an effective voice in his administration. His cabinet includes only one MDN member, and is composed essentially of personal adherents who are, for the most part, individually capable but politically unknown.

15. Disappointed by Ydígoras' failure to carry out his pre-election agreement, the MDN in Congress has asserted its independence of the administration. Meanwhile, in the countryside, its members are gravitating to the PR at a rate which has alarmed the MDN party leadership. The moderate MDN will probably dissolve as an effective political force. Some members are likely to be drawn to support the administration, for reasons of patronage or in the interest of stability and order. Others are likely to adhere to the PR, out of resentment toward Ydígoras or in the belief that the PR is the only effective representative of the ideals of the Revolution of 1944.

16. In the midst of growing public concern regarding the conservative composition of Ydígoras' government, the PR is vigorously championing the still widely popular social and economic program of the Revolution of 1944. It is rapidly gaining new adherents and is likely to become the focus of opposition to the Ydígoras regime. The party is still a heterogeneous agglomeration, however. It needs time to organize and consolidate its strength. Fearing suppression by Ydígoras, its leaders, many of whom were prominent in the Arévalo administration, are pursuing a policy of moderation in order not to provoke him while they prepare for the 1959 congressional election. The PR publicly repudiates association with communism, but has not yet acted effectively to check Communist infiltration of the party's lower echelons.

17. The clandestine Communist Party (PGT) probably has no more than 400 members and 2,000 sympathizers, but since the assassination of Castillo it has been working to reestab-

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lish its influence at the grass roots. Although many Guatemalans are now more aware of the Communist danger than previously, there is still widespread apathy with regard to communism. While there has been some reaction against excesses practiced in the name of anti-communism, there has been no marked increase in sympathy for Communists. The PGT's present capabilities are limited. Its most prominent leaders are still in exile. There are no known Communists or sympathizers among the leaders of legal political parties or in influential positions in the administration or the armed forces. The party's efforts will be directed primarily toward further infiltration of the PR and toward regaining its former control of organized labor. The Communists are not likely to achieve control of the PR within the period of this estimate, but may gain control of some of that party's more extreme elements, particularly if many more of the pro-Arbenz exiles are permitted to return to Guatemala. They have a better prospect in the field of organized labor, because of their experienced labor leaders and organizers, and because of latent rank-and-file support in unions which they formerly led, but are not likely to regain their former control of the labor movement.

18. The PR will offer stiff competition to the Communists in the labor field. The party is now making a determined bid to win over key unions such as those of the railroad workers and United Fruit Company employees. In this situation, the labor policy followed by Ydigoras will have an important bearing on the future strength and character of the leftist opposition and consequently on the stability of his regime. He will be confronted by wage demands, particularly from unorganized workers, who have so far gained little from the increase in economic activity. Ydigoras cannot meet the demands of the unorganized workers without adversely affecting the interests of his principal supporters. In general, labor is pessimistic regarding its prospects under his government.

19. In the face of rising leftist opposition, Ydigoras will probably try to pursue a middle course calculated to limit the political appeal of the left, even at the risk of alienating some

of his rightist support. Despite his authoritarian background, he would probably be reluctant to resort to unusually repressive measures.

20. Ydigoras tenure of power depends ultimately on the continued support of the armed forces, which he will make every effort to ensure. The principal ground force commanders favored his election. Although the commander of the air force favored the MDN candidate, he is a strong proponent of constitutional order. Ydigoras' character as a professional soldier and his strong personality will facilitate his retaining the backing of the military.

The Armed Forces

21. Guatemala has a 9,000-man army with an integral air force consisting of about 200 men (33 of them pilots) and 39 aircraft (ten of them F-51 fighters obtained from the US). Under a 1955 bilateral military assistance agreement, the US has undertaken to provide grant aid in the amount of \$500,000 for the equipment and training of one infantry battalion. Most of this equipment has been delivered. The air force has also received some reimbursable military aid from the US.

22. The essential function of the Guatemalan armed forces is to protect the incumbent regime against internal or external revolutionary action. It has no other capabilities of consequence. Although constitutionally prohibited from engaging in political activities, the military are nevertheless a political factor of decisive importance in that, in critical circumstances, the continuance or withdrawal of their support can determine whether an incumbent government will stand or fall. Aware of this, every government seeks to ensure the continued support of the armed forces by the appointment of reliable officers to positions of command and by favorable treatment in terms of pay and perquisites. Normally the armed forces will support the incumbent government, up to a certain point. That point is reached if and when popular antagonism toward the government reaches such a pitch that serious disorder is clearly impending. In such circumstances, the armed

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forces' responsibility for the maintenance of order is conceived to be overriding, and the proper means of preserving order is conceived to be a change of government. The armed forces thus cease to be the defense of the regime and become the active agent in its overthrow. In such a case, in conformity to longstanding tradition, the obligation of the military to the outgoing president is reduced to responsibility for assuring his personal safety. A military junta customarily assumes power, but with the purpose and obligation of establishing a new constitutional government at the earliest practicable date.

23. Going beyond the usual measures for ensuring the support of the military, Ydigoras has appealed to their professional pride and patriotism by declaring that Guatemala will recover British Honduras, "if not by reason, then by force," and by proposing to organize parachute and ranger units for that purpose. These utterances are not so much a threat to the United Kingdom as assurances to the military that the government will take seriously the development of the professional competence of the armed forces and will devote resources to that end.

The Economic Situation and Trend

24. Guatemala's economic growth was stimulated during the Castillo regime by the encouragement of private investment as well as by large-scale foreign grants, loans, and technical assistance, and by the use of government funds. Guatemalan citizens increased their domestic investments sharply during the period, reversing the heavy flight of capital which had occurred during the Arbenz regime. New foreign private investment also increased, amounting to \$12,000,000 in 1957 alone.⁴ US grant aid of almost \$21,000,000 in 1957 brought the total of such aid since 1954 to \$44,000,000, about 60 percent of which has gone into highway construction. In addition,

⁴ Total US private investment amounted to \$170,000,000 at the end of 1957, most of it in three enterprises: The United Fruit Company plantations, the International Railways of Central America, and *Empresa Electrica* (a subsidiary of American and Foreign Power).

the IBRD disbursed more than \$11,000,000 of an \$18,000,000 loan for highway construction during 1956-57. Simultaneously the Guatemalan government increased its budget for capital improvements, spending \$40,000,000 of its own resources in 1957. These stimuli coincided with bumper coffee and corn crops to raise Guatemalan GNP to about \$180 per capita in 1957 prices. During the expansionary period Guatemala maintained a sound currency, avoided undue inflation, and almost doubled its foreign exchange holdings.

25. The favorable economic situation will probably continue during 1958. The Ydigoras administration will be greatly assisted by continuing US grant aid, expected to reach \$16,000,000 in 1958, and a further IBRD loan installment of about \$6,000,000. Local business confidence, which was shaken by the political turmoil following the assassination of Castillo and by declining coffee prices, has been appreciably restored by the inauguration of Ydigoras and a steadying in the coffee market. With the new administration, foreign investment is expected to resume its importance as a force for expansion. At present the country has high foreign exchange reserves and the government enjoys good domestic credit. These favorable factors can mitigate the effect of lowered coffee receipts; but coffee remains of critical importance to the economy, accounting for about 75 percent of exports and over a fifth of government revenues. Moreover, it contributes to the prosperity of the urban business community from which Ydigoras draws significant strength.

26. Over the longer term, the prospect is problematical. The present population (3,500,000), which is growing at a rate of about three percent a year, is largely engaged in subsistence agriculture. It may rapidly shift to urban employment if jobs become available. To keep pace with population growth and to sustain the present level of economic activity, the government must continue to promote economic expansion. Careful planning will be required to prevent urban development from becoming a burden on the agricultural sector, as it has elsewhere in Latin America.

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In the event of a further decline in coffee prices, or of a substantial decline in foreign aid after 1958, maintenance of the present high rate of public investment would confront the government with a growing budgetary deficit and an acute foreign exchange problem. The one development which might relieve this situation would be the discovery of oil in commercially exploitable quantities in northern Guatemala (Petén). Major US companies are now engaged in intensive exploration of the area.

External Relations

27. Good relations with the US will continue to be the cardinal element in Ydígoras' foreign policy, if only because of the importance of continued US assistance to the success of his administration. The president will seek advice and assistance from the US, possibly including increased military aid, but will do his utmost to avoid being charged with subservience. While adopting a more independent attitude toward the US than did Castillo, Ydígoras will probably cooperate on most international issues. There is little chance that diplomatic relations will be established with the Soviet Bloc, or that currently negligible economic ties with the Bloc will be expanded.

28. Ydígoras will endeavor to develop closer relations between Guatemala and its neighbors, and to enhance Guatemala's prestige through more active participation in the Organization of Central American States (ODECA), the Organization of American States, and the United Nations. In the current climate of Central American politics, the trend toward improved relations begun under Castillo is likely to continue.

29. For domestic political reasons, Ydígoras is likely to intensify Guatemala's demands for recognition of its claim to British Honduras. The discovery of oil in northern Guatemala would give additional impetus to this campaign, since the natural outlet for oil exports would be through the port of Belize. Ydígoras could count on considerable Latin American sympathy and support on this issue, but it would embroil him with Mexico, which also

has a contingent claim to part of the territory, as well as with the United Kingdom. He is not likely to press the issue to the point of precipitating a crisis, but he might impulsively take some provocative action which would be contrary to US policy interests in the area.

The Outlook for Political Stability

30. The stability of the Ydígoras regime is not likely to be seriously threatened during 1958. It remains uncertain whether, before the 1959 congressional elections, he will be able to develop effective congressional and popular support for his moderate program. By that time a strong and vociferous political opposition centered in the PR will probably have developed.

31. The leaders of the PR, if permitted to develop an effective party organization, will probably take steps to minimize, and if possible eliminate, Communist influence. The degree to which they will succeed in this effort is uncertain. The Communists will almost certainly not have gained control of the PR prior to the next congressional election, although its opponents will accuse it of Communist tendencies in any case.

32. Should Ydígoras fail to muster sufficient party and popular support to cope with growing leftist opposition in Congress and in the country, he will probably resort increasingly to more authoritarian methods. He would probably do so reluctantly and with no greater repressive force than he judged the circumstances to require, but he is a strong man determined to rule and he would resort to outright dictatorship before he would permit political control to pass from his hands. The more repressive his regime becomes, however, the more popular disaffection will grow.

33. The armed forces will almost certainly support the Ydígoras government in whatever measures it finds necessary to maintain stability and order. They would turn against him only if popular resistance had reached such intensity that serious civil disorder was clearly impending. In that case, they would probably see him safely out of the country and set up a military junta to supervise a re-

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turn to constitutional government. In the event of Ydígoras' death, the army would probably support the interim administration

of the presidential designate and the holding of new elections within the constitutionally prescribed four-month period.

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APPENDIX

GENERAL BACKGROUND

1. Guatemala is a predominantly agricultural country with an area of 42,000 square miles. The population of approximately 3,500,000 is concentrated principally in the temperate highlands. Few people live in the tropical Pacific and Caribbean coastal regions, and the northern half of the country—the densely forested Petén—is virtually uninhabited. Almost 70 percent of the people reside in rural areas and over 75 percent of the labor force are agricultural workers. About 70 percent of the people are illiterate. Over half the population are Indians, who are to a large extent non-Spanish speaking, and are virtually unasimilated in the political, social, and economic life of Spanish-speaking Guatemala.

2. Many Guatemalans are strongly attached to the political, social, and economic ideals associated with the Revolution of 1944. This movement, which overthrew the dictatorship of President Jorge Ubico (1931-44), challenged the traditional dominance of a wealthy landholding class. Its goals were moderate. They emphasized the responsibility of the state with respect to economic and social matters and asserted concern for the welfare of the underprivileged. A program was evolved for the protection of labor and for land reform. At the same time, private property, free enterprise, and individual rights were to be respected. Political democracy was to be achieved through limiting executive power, strengthening the legislature, broadening the electorate, and neutralizing the military.

3. The actual experience of Guatemala during the first decade after 1944 contrasted sharply with the promise offered by the protagonists of the Revolution. Although under President Arévalo (1945-51) implementation of the revolutionary program was moderate and slow, the militant and radical leftist elements in political life received considerable encouragement. In the administration of President Arbenz (1951-54) the implementation of the program was more rapid and the

more extreme political leaders strengthened their position. Communists and Communist sympathizers gained prominence in the labor and agrarian reform movements, in the pro-government political parties, in the government, and in intellectual circles. The Communist party was legalized in 1952 and immediately became a member of the Government coalition. Further, the locus of political power came to rest with the President and an inner group of professional politicians, leftist intellectuals, and army officers. This group, through its control of patronage and the financial resources of the government, was able to buy security from the military, and to control the executive, legislative, and judicial branches of the government.

4. By 1954 opposition to the Arbenz administration had become active and outspoken. Large landholders opposed the social and economic measures of the Revolution. Commercial and industrial groups for whom the Revolution had held some appeal cooled as the Arévalo and Arbenz administrations became Communist influenced. The Roman Catholic Church resented restrictive measures directed against it. Harsh measures were required to maintain order within the country. Nevertheless, the army continued to support the Arbenz regime, despite the misgivings of some elements regarding the trend of events. It became evident that any initiative for a change would have to come from the outside.

5. Outside of Guatemala, various groups of exiles, one headed by Ydígoras, another by Castillo, were plotting against the Arbenz regime. In June 1954 Castillo led a small band of exiles into Guatemala from Honduras. The force at his disposal was not sufficient to defeat the army, had it been disposed to fight. Under this stimulus, however, control of the army was seized by a group who had finally concluded that the time had come for a change of government.



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